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**CONTACT: RICHARD MILLS/NEENA MOORJANI
(202) 395-3230**

U.S. and Mexico Reach Agreement to Resolve Telecom Dispute

Washington, D.C. and Mexico City - The United States and Mexico reached an agreement today to resolve their ongoing WTO dispute over international telecommunications services. The agreement implements recommendations included in the WTO panel report released on April 2, 2004 and formally adopted today.

The main features of the agreement notified to the WTO Dispute Settlement Body are:

- Mexico will remove the provisions of Mexican Law relating to the proportional return system, uniform tariff system, and the requirement that the carrier with the greatest proportion of outgoing traffic to a country negotiate the settlement rate on behalf of all Mexican carriers for that country. Both countries believe that the elimination of these provisions will allow the competitive commercial negotiations of international settlement rates.
- Mexico will allow the introduction of resale-based international telecommunications services in Mexico by 2005, in a manner consistent with Mexican law.
- The United States recognizes that Mexico will continue to restrict International Simple Resale (use of leased lines to carry cross-border calls) to prevent the unauthorized carriage of telecommunications traffic.

The annual volume of traffic between the two countries is over six billion minutes, representing services worth over two billion dollars.

Background

In order to place a telephone call from one country into another, carriers must generally connect into the second country's telecommunications network. This is commonly done by either paying a carrier in the other country for assistance in completing the call, or by leasing a telephone line in the other country and routing calls over that leased line (commonly referred to as "ISR"). In February 2002, the United States requested a WTO panel to address restrictions imposed by Mexico on international telecommunications services between the two countries. In

a report released in April, 2004, the panel recommended that Mexico remove certain restrictions on the commercial negotiation of international settlement rates, but concluded that Mexico should be allowed to maintain restrictions on ISR. The panel also concluded that Mexico should allow the resale of international services from Mexico to other countries.